

Seprod Limited

**Financial Statements
31 December 2010**

Seprod Limited

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31 December 2010

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Independent Auditors' Report

To the Members of
Seprod Limited

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Seprod Limited and its subsidiaries, and the accompanying financial statements of Seprod Limited standing alone set out on pages 1 to 58, which comprise the consolidated and company statements of financial position as of 31 December 2010 and the consolidated and company statements of comprehensive income, statements of changes in equity and statements of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Members of Seprod Limited
Independent Auditors' Report
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Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the group and the company as of 31 December 2010 and of financial performance and cash flows of the group and the company for the year then ended, so far as concerns the members of the company, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Additional Requirements of the Jamaican Companies Act

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants

7 March 2011
Kingston, Jamaica

Seprod Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

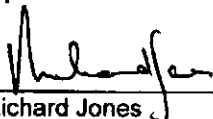
	Note	2010 \$'000	2009 \$'000
Revenue		9,776,563	9,495,060
Direct expenses		(7,421,323)	(6,744,696)
Gross Profit		2,355,240	2,750,364
Finance and other operating income	6	343,409	756,239
Selling expenses		(294,308)	(241,335)
Administration expenses		(1,140,959)	(1,019,715)
Other operating expenses		(56,516)	(34,771)
Operating Profit		1,206,866	2,210,782
Finance costs	9	(35,939)	(24,881)
Profit before Taxation		1,170,927	2,185,901
Taxation	10	(340,664)	(699,964)
Net Profit		830,263	1,485,937
Other Comprehensive Income:			
Unrealised fair value losses on available-for-sale investments		166,621	(44,024)
Realised fair value (gains)/losses on available-for-sale investments		(4,380)	4,707
		162,241	(39,317)
TOTAL COMPREHENSIVE INCOME		992,504	1,446,620
Net Profit is Attributable to:			
Stockholders of the company	11	1,007,362	1,478,406
Non-controlling interest		(177,099)	7,531
		830,263	1,485,937
Total Comprehensive Income is Attributable to:			
Stockholders of the company		1,169,603	1,439,089
Non-controlling interest		(177,099)	7,531
		992,504	1,446,620
Earnings per Stock Unit Attributable to Stockholders of the Company	12	\$1.95	\$2.86

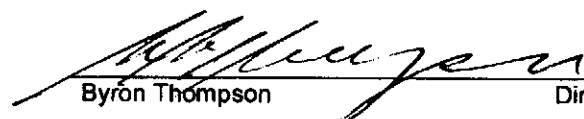
Seprod Limited**Consolidated Statement of Financial Position****31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Non-current Assets			
Property, plant and equipment	14	2,927,718	2,580,809
Intangible assets	15	37,338	44,679
Available-for-sale investments	16	1,613,561	1,243,086
Long term receivables	17	742,936	828,708
Retirement benefit asset	18	29,700	21,300
Biological assets	19	211,712	149,933
Deferred tax assets	27	-	370
		<u>5,562,965</u>	<u>4,868,885</u>
Current Assets			
Inventories	20	1,548,431	1,427,412
Biological assets	19	162,268	213,270
Receivables	21	1,360,021	1,021,887
Available-for-sale investments	16	477,005	997,781
Current portion of long term receivables	17	307,226	414,603
Taxation recoverable		23,241	16,990
Cash and bank balances	22	182,198	275,402
		<u>4,060,390</u>	<u>4,367,345</u>
Current Liabilities			
Payables	23	681,643	681,568
Current portion of long term liabilities	26	599,845	165,135
Taxation payable		115,813	309,458
		<u>1,397,301</u>	<u>1,156,161</u>
Net Current Assets			
		<u>2,663,089</u>	<u>3,211,184</u>
		<u>8,226,054</u>	<u>8,080,069</u>
Equity Attributable to Stockholders of the Company			
Share capital	24	561,287	561,287
Capital reserve	25	894,929	720,575
Retained earnings		6,304,869	5,696,919
		<u>7,761,085</u>	<u>6,978,781</u>
Non-controlling Interest			
		<u>(169,528)</u>	<u>7,571</u>
		<u>7,591,557</u>	<u>6,986,352</u>
Non-current Liabilities			
Long term liabilities	26	233,136	633,255
Deferred tax liabilities	27	319,561	394,262
Retirement benefit obligations	18	81,800	66,200
		<u>634,497</u>	<u>1,093,717</u>
		<u>8,226,054</u>	<u>8,080,069</u>

Approved for issue by the Board of Directors on 7 March 2011 and signed on its behalf by:


 Richard Jones Director


 Byron Thompson Director

Seprod Limited**Consolidated Statement of Changes in Equity
Year ended 31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

	Equity Attributable to Stockholders of the Company					Non-	Total
	Number	Share	Capital	Retained	Total	controlling	Equity
	of Shares	Capital	Reserve	Earnings		Interest	
	'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2009	516,398	561,287	764,021	4,550,042	5,875,350	-	5,875,350
Non-controlling interest on incorporation of subsidiary	-	-	-	-	-	40	40
Total comprehensive income	-	-	(39,317)	1,478,406	1,439,089	7,531	1,446,620
Transfer from capital reserve – loss on sale of investments	-	-	(4,129)	4,129	-	-	-
Dividends paid (Note 13)	-	-	-	(335,658)	(335,658)	-	(335,658)
Balance at 31 December 2009	516,398	561,287	720,575	5,696,919	6,978,781	7,571	6,986,352
Total comprehensive income	-	-	162,241	1,007,362	1,169,603	(177,099)	992,504
Transfer to capital reserve – gain on sale of investments	-	-	12,113	(12,113)	-	-	-
Dividends paid (Note 13)	-	-	-	(387,299)	(387,299)	-	(387,299)
Balance at 31 December 2010	516,398	561,287	894,929	6,304,869	7,671,085	(169,528)	7,591,557

Seprod Limited**Consolidated Statement of Cash Flows****Year ended 31 December 2010****(expressed in Jamaican dollars unless otherwise indicated)**

	Note	2010 \$'000	2009 \$'000
Cash Flows from Operating Activities			
Cash provided by operating activities	28	212,434	969,260
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(603,845)	(602,584)
Proceeds on disposal of property, plant and equipment		1,289	3,119
Purchase of available-for-sale investments		(571,222)	(1,270,341)
Proceeds from disposal of available-for-sale investments		804,743	254,596
Long term notes received		89,882	238,109
Long term notes issued		(257,669)	-
Cash paid on business combination		-	(61,355)
Interest received		362,133	401,675
Dividends received		4,281	2,379
Cash used in investing activities		<u>(170,408)</u>	<u>(1,034,402)</u>
Cash Flows from Financing Activities			
Long term loans received		450,000	438,177
Long term loans repaid		(161,992)	(117,280)
Dividends paid		(387,299)	(335,658)
Interest paid		(35,939)	(24,881)
Cash used in financing activities		<u>(135,230)</u>	<u>(39,642)</u>
Decrease in cash and cash equivalents		(93,204)	(104,784)
Cash and cash equivalents at beginning of year		275,402	380,186
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	<u><u>182,198</u></u>	<u><u>275,402</u></u>

Seprod Limited**Statement of Comprehensive Income****Year ended 31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Revenue		-	329,486
Direct expenses – purchases from subsidiaries for export		-	(329,486)
Gross Profit		-	-
Group costs recovered from subsidiaries		392,600	433,269
Finance and other operating income	6	1,521,248	1,590,748
Administration expenses		(416,204)	(460,144)
Operating Profit		1,497,644	1,563,873
Finance costs	9	(16,418)	(17,129)
Profit before Taxation		1,481,226	1,546,744
Taxation	10	20,901	(198,384)
Net Profit	11	1,502,127	1,348,360
Other Comprehensive Income:			
Unrealised fair value losses on available-for-sale investments		166,621	(44,024)
Realised fair value losses on available-for-sale investments		(4,380)	4,707
		162,241	(39,317)
TOTAL COMPREHENSIVE INCOME		1,664,368	1,309,043

Seprod Limited

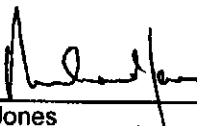
Statement of Financial Position

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Non-current Assets			
Property, plant and equipment	14	150,767	210,054
Available-for-sale investments	16	1,613,561	1,243,086
Investment in subsidiaries		887,102	971,930
Long term receivables	17	742,936	828,708
Retirement benefit asset	18	29,700	21,300
		<u>3,424,066</u>	<u>3,275,078</u>
Current Assets			
Receivables	21	111,873	89,191
Available-for-sale investments	16	477,005	997,781
Current portion of long term receivables	17	307,226	414,603
Due from subsidiaries		1,460,204	-
Cash and bank balances	22	15,741	79,240
		<u>2,372,049</u>	<u>1,580,815</u>
Current Liabilities			
Payables	23	133,688	153,809
Due to subsidiaries		-	407,358
Current portion of long term liabilities	26	475,833	25,833
Taxation payable		30,563	95,600
		<u>640,084</u>	<u>682,600</u>
Net Current Assets			
		<u>1,731,965</u>	<u>898,215</u>
		<u>5,156,031</u>	<u>4,173,293</u>
Equity			
Share capital	24	561,287	561,287
Capital reserve	25	313,440	139,086
Retained earnings		4,101,202	2,998,487
		<u>4,975,929</u>	<u>3,698,860</u>
Non-current Liabilities			
Long term liabilities	26	38,750	304,583
Deferred tax liabilities	27	59,552	103,650
Retirement benefit obligations	18	81,800	66,200
		<u>180,102</u>	<u>474,433</u>
		<u>5,156,031</u>	<u>4,173,293</u>

Approved for issue by the Board of Directors on 7 March 2011 and signed on its behalf by:


 Richard Jones Director


 Byron Thompson Director

Seprod Limited**Statement of Changes in Equity****Year ended 31 December 2010****(expressed in Jamaican dollars unless otherwise indicated)**

	Number of Shares	Share Capital	Capital Reserve	Retained Earnings	Total
	'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2009	516,398	561,287	182,532	1,981,656	2,725,475
Total comprehensive income	-	-	(39,317)	1,348,360	1,309,043
Transfer from capital reserve – loss on sale of investments	-	-	(4,129)	4,129	-
Dividends paid (Note 13)	-	-	-	(335,658)	(335,658)
Balance at 31 December 2009	516,398	561,287	139,086	2,998,487	3,698,860
Total comprehensive income	-	-	162,241	1,502,127	1,664,368
Transfer to capital reserve – gain on sale of investments	-	-	12,113	(12,113)	-
Dividends paid (Note 13)	-	-	-	(387,299)	(387,299)
Balance at 31 December 2010	516,398	561,287	313,440	4,101,202	4,975,929

Seprod Limited**Statement of Cash Flows****Year ended 31 December 2010****(expressed in Jamaican dollars unless otherwise indicated)**

	Note	2010 \$'000	2009 \$'000
Cash Flows from Operating Activities			
Cash (used in)/provided by operating activities	28	(551,044)	793,635
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(45,583)	(92,133)
Transfer of property, plant and equipment to intercompany		84,845	-
Proceeds on disposal of property, plant and equipment		1,059	62
Purchase of available-for-sale investments		(571,222)	(1,270,341)
Proceeds from disposal of available-for-sale investments		804,743	254,596
Cash outflow on incorporation of subsidiary		-	(97,985)
Long term notes received		89,882	238,109
Long term notes issued		(257,669)	
Interest received		356,759	400,258
Dividends received		4,281	2,379
Cash provided by/(used in) investing activities		467,095	(565,055)
Cash Flows from Financing Activities			
Long term loans received		450,000	-
Long term loans repaid		(25,833)	(25,834)
Dividends paid		(387,299)	(335,658)
Interest paid		(16,418)	(17,129)
Cash provided by/(used in) financing activities		20,450	(378,621)
Decrease in cash and cash equivalents		(63,499)	(150,041)
Cash and cash equivalents at beginning of year		79,240	229,281
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	15,741	79,240

Seprod Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

1. Principal Activities and Operations

Seprod Limited ("the company") is incorporated and domiciled in Jamaica. The company is publicly listed on the Jamaica Stock Exchange, and has its registered office at 3 Felix Fox Boulevard, Kingston.

The company and its subsidiaries are collectively referred to as "the Group".

Subsidiaries

The company's subsidiaries, which are all incorporated and domiciled in Jamaica, and their principal activities are as follows:

Name of subsidiary	Principal activities
Belvedere Limited	Agriculture
Caribbean Products Company Limited	Manufacture and sale of oils and fats
Golden Grove Sugar Company Limited	Sugar production
Industrial Sales Limited	Sale of consumer products
International Biscuits Limited	Manufacture of biscuit products
Jamaica Grain and Cereals Limited	Manufacture and sale of corn products and cereals
Serge Island Dairies Limited	Manufacture and sale of milk products and juices
Serge Island Farms Limited	Dairy farming
Jamaica Edible Oils and Fats Company Limited	Dormant
Jamaica Detergents Limited	Dormant
Jamaica Feeds Limited	Dormant

All subsidiaries are wholly owned, with the exception of Golden Grove Sugar Company Limited, which is owned 55% by the company and 45% by Fred M Jones Estate. Golden Grove Sugar Company Limited was incorporated during the prior year (Note 29).

Seprod Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of certain financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Although these estimates are based on managements' best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Standards, interpretations and amendments to published standards effective during the year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new standards, interpretations and amendments and has adopted the following IFRS, which are relevant to its operations. The comparative figures have been amended as required, in accordance with the relevant requirements.

- **IAS 27 (Revised), 'Consolidated and separate financial statements'** (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.
- **IFRS 3 (Revised), 'Business combinations'** (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through profit and loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010. There were no business combinations during the year.
- **IAS 19 (Amendment), 'Employee benefits'** (effective from 1 July 2009). This amendment clarifies that a plan amendment that result in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service give rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets amended to state that plan administration costs be deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. The distinction between short term and long term employee benefits is now based on whether benefits are due to be settled within or after 12 months of employee service being rendered. There is also the deletion of guidance that states IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' requires contingent liabilities to be recognised. The Group has applied this amendment from 1 January 2010 but there has been no impact on the financial statements.

Seprod Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective during the year (continued)

- **IAS 1 (Amendment), 'Presentation of financial statements'**. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.
- **IAS 36 (Amendment), 'Impairment of assets'** (effective 1 January 2010). The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).
- **IFRS 2 (Amendments), 'Group cash-settled share-based payment transactions'** (effective from 1 January 2010). In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.
- **IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations'**. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

At the date of authorisation of these financial statements, certain new standards, interpretations and amendments to existing standards have been issued which were not yet effective at statement of financial position date, and which the company has not early adopted. The company has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations.

- **Revised IAS 24 (Revised), 'Related party disclosures'** (effective from 1 January 2011). The revised standard clarifies and simplifies the definition of a related party and provides certain exemptions for government-related entities. The Group will apply the revised standard from 1 January 2011, but it is not expected to have a significant impact on its related party disclosures.
- **'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14)** (effective from 1 January 2011). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments should be applied retrospectively to the earliest comparative period presented. The Group will apply these amendments for the financial reporting period commencing on 1 January 2011.

Seprod Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- **IFRIC 19, 'Extinguishing financial liabilities with equity instruments'** (effective 1 July 2010). The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Group will apply the interpretation from 1 January 2011 but it is not expected to have any impact on the Group's financial statements.
- **IFRS 9, Financial Instruments part 1: Classification and measurement** (effective for annual periods beginning on or after 1 January 2013) was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial instruments. Key features are as follows:

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

Seprod Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation

Consolidation of subsidiaries

Subsidiaries are those entities in which the Group has power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls an entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Intercompany transactions, balances and unrealised gains and losses on transactions between the Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Loans to subsidiaries that are intended to provide subsidiaries with a long-term source of additional capital are considered additions to the company's investment. Accordingly, these loans are included in Investment in Subsidiaries on the company's statement of financial position.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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2. Significant Accounting Policies (Continued)

(c) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of General Consumption Tax, returns, rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows:

Sales of goods – wholesale

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured. Some products are often sold with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

Sales of goods – retail

Sales of goods are recognised when a group entity sells a product to the customer. It is the Group's policy to sell its products to the end customer with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of primary economic environment in which the entity operates, referred to as the functional currency. The functional currency of each entity is the same as its presentation currency. The consolidated financial statements are presented in Jamaican dollars, which is the company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from such transactions and from the translation of foreign currency monetary assets and liabilities at the year end exchange rates are recognised in profit or loss.

Translation differences resulting from changes in the amortised cost of foreign currency monetary assets classified as available-for-sale are recognised in profit or loss. Other changes in the fair value of these assets are recognised in other comprehensive income. Translation differences on non-monetary financial assets classified as available-for-sale are reported as a component of the fair value gain or loss in other comprehensive income.

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2. Significant Accounting Policies (Continued)

(e) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

(f) Property, plant and equipment

Buildings, plant and equipment are recorded at cost or deemed cost, less accumulated depreciation and impairment losses. All other property, plant and equipment are carried at historical cost less accumulated depreciation, except land, which is not depreciated.

Depreciation is calculated on the straight line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. The expected useful lives are as follows:

Buildings	40 – 50 years
Plant, equipment and furniture	5 – 40 years
Motor vehicles	3 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit.

Repairs and maintenance expenditure is charged to profit or loss during the financial period in which it is incurred.

(g) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment

Brands

Brands obtained by the Group in a business combination are recognised at fair value at the acquisition date. These brands are deemed to have a finite useful life, and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the carrying value of brands over their estimated useful lives.

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2. Significant Accounting Policies (Continued)

(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the greater of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identified cash flows. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Investments

The Group classifies its investments as available-for-sale, due to the purposes for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates such designation at each reporting date.

Investments classified as available-for-sale are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates. These investments are included in non-current assets unless management has the express intention of holding the investment for less than twelve months from the date of the statement of financial position, in which case they are included in current assets.

Purchases and sales of investments are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. Available-for-sale investments are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Investments are derecognised when the right to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Changes in the fair value of monetary available-for-sale investments denominated in foreign currencies are analysed between translation differences resulting in changes in amortised cost of the security and other changes. The translation differences are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary available-for-sale investments and non-monetary available-for-sale investments are recognised in other comprehensive income.

When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as gains and losses from investment securities. Interest on available-for-sale investments calculated using the effective interest method is recognised in profit or loss. Dividends on available-for-sale investments are recognised in profit or loss when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If there is no active market for investments, the Group establishes fair value by using valuation techniques, such as reference to recent arms length transactions, reference to other instruments that are substantially the same or amounts derived from discounted cash flow models, making maximum use of market inputs.

At the date of each statement of financial position, the Group assesses whether there is objective evidence that an investment or group of investments is impaired. If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments recognised in profit or loss are not reversed through profit or loss.

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2. Significant Accounting Policies (Continued)

(j) Long term receivables

Long term receivables are initially measured at cost, and are subsequently measured at amortised cost using the effective interest method.

(k) Biological assets

Biological assets are measured at their fair value, less estimated point of sale costs. Fair value is determined based on market prices of assets of similar age, breed and genetic merit.

(l) Inventories

Inventories are stated at the lower of cost or net realisable value. The cost of finished goods and work in progress includes cost of raw materials used, direct labour and an appropriate proportion of overhead expenses. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of selling expenses.

(m) Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowings. Bad debts are written off during the year in which they are identified.

(n) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand.

(o) Payables

Payables are recorded at cost.

(p) Borrowings

Borrowings are recognised initially at the proceeds received. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds and the redemption value is recognised in the profit and loss account over the period of the borrowings.

(q) Income taxes

Current tax is the expected tax payable on the taxable income for the year, using tax rates in force at the date of the statement of financial position, and any adjustment to tax payable and tax losses in respect of previous years.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities and the corresponding tax bases. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is charged or credited to profit or loss, except where it relates to items charged or credited to other comprehensive income, in which case, deferred tax is also dealt with in other comprehensive income.

Current and deferred tax assets and liabilities are offset when they arise within the same taxable entity, relate to the same tax authority and when the legal right of offset exists.

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2. Significant Accounting Policies (Continued)**(r) Employee benefits*****Pension obligations***

The Group operates a defined benefit plan, the assets of which are generally held in a separate trustee-administered fund. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The asset or liability in respect of the defined benefit plan is the difference between the present value of the defined benefit obligation at the date of the statement of financial position less the fair value of the plan assets, together with adjustments for actuarial gains and losses and past service cost. The defined benefit obligation is determined annually by independent actuaries, using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to income over the remaining service lives of the employees.

Other retirement benefits

The Group provides post-employment health benefits to its retirees. The entitlements to these benefits are usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. These obligations are valued annually by qualified independent actuaries.

Profit share scheme

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the company's equity holders after certain adjustments.

(s) Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

(t) Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's shareholders.

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3. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

In February 2010, the Group participated in the Jamaica Debt Exchange (JDX) transaction under which the Group exchanged its holdings of domestic debt instruments issued by the Government of Jamaica for new, longer-dated debt instruments available to the Group under the election options contained in the agreement. The JDX transaction resulted in a reduction in yields and an increase in the tenor of locally issued Government of Jamaica securities and, therefore, had a significant impact on financial risks.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Group's risk management framework. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Board has established committees/departments for managing and monitoring risks, as follows:

Central treasury department

The central treasury department is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

Audit Committee

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the Audit Committee.

The most important types of risk are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate and other price risk.

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3. Financial Risk Management (Continued)

(a) Credit risk

The Group takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit risk is the most important risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the Group's receivables from customers and treasury activities. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and industry segments.

Investments

The Group limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality and Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The executive committee has established a credit policy under which each customer is analysed individually for creditworthiness prior to the Group offering them a credit facility. Credit limits are assigned to each customer, which represents the maximum credit allowable without approval from the Board. The Group has procedures in place to restrict customer orders if the order will exceed their credit limits. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis.

Customer credit risk is monitored according to their credit characteristics such as whether it is an individual or company, industry, aging profile, and previous financial difficulties. Trade receivables relate mainly to the Group's wholesale customers.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

The Group's average credit period on the sale of goods is 30 days. Trade receivables between 60 and 90 days are provided for based on an estimate of amounts that would be irrecoverable, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

Cash and bank balances

Cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

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3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Worst case scenario of credit risk exposure

The worst case scenario of the Group's and the company's exposure to credit risk is as follows:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Available-for-sale investments	2,021,342	2,183,556	2,021,342	2,183,556
Long term receivables	1,050,162	1,243,311	1,050,162	1,243,311
Trade receivables	985,519	805,482	-	323
Cash and bank balances	182,198	275,402	15,741	79,240
	<u>4,239,221</u>	<u>4,507,751</u>	<u>3,087,245</u>	<u>3,506,430</u>

Ageing analysis of trade receivables that are past due but not impaired

Trade receivables that are less than 30 days past due are not considered impaired. The ageing analysis of trade receivables that are past due but not considered impaired is as follows:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
30 – 60 days	137,905	82,314	-	-
60 – 90 days	110	9,437	-	-
greater than 90 days	354,776	397,936	-	-
	<u>492,791</u>	<u>489,687</u>	<u>-</u>	<u>-</u>

Ageing analysis of trade receivables that are past due and considered impaired

Trade receivables of \$89,191,000 (2009 – \$87,487,000) for the Group and \$3,569,000 (2008 – \$11,132,000) for the company were considered impaired and were fully provided for. The individually impaired receivables mainly relate to wholesalers who are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
30 – 60 days	-	-	-	-
60 – 90 days	-	-	-	-
greater than 90 days	89,191	87,487	3,569	11,132
	<u>89,191</u>	<u>87,487</u>	<u>3,569</u>	<u>11,132</u>

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3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Movement in the provision for impairment of trade receivables

The movement in the provision for impairment of trade receivables are as follows:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
At start of year	87,487	77,878	11,132	-
Provided during the year	17,255	4,582	-	11,132
Written off during the year	(15,551)	(5,121)	(7,563)	-
Unused amounts reversed	-	(10,148)	-	-
At end of year	<u>89,191</u>	<u>87,487</u>	<u>3,569</u>	<u>11,132</u>

The creation and release of provision for impaired receivables have been included in expenses in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

There are no financial assets other than trade receivables that were individually impaired.

Trade receivables by customer sector

The following table summarises the credit exposure for trade receivables at their carrying amounts, as categorised by the customer sector:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Supermarket chains	27,714	40,440	-	-
Wholesalers	747,003	723,376	-	-
Retailers	146,782	92,592	-	-
Manufacturers	19,269	15,501	-	-
Other	133,942	21,060	3,569	11,455
	<u>1,074,710</u>	<u>892,969</u>	<u>3,569</u>	<u>11,455</u>
Less: Provision for impairment	(89,191)	(87,487)	(3,569)	(11,132)
	<u>985,519</u>	<u>805,482</u>	<u>-</u>	<u>323</u>

The company's trade receivables are due from overseas customers. The majority of the Group's trade receivables are receivable from customers in Jamaica.

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3. Financial Risk Management (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group and monitored by the central treasury department, includes:

- (i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required.
- (ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- (iii) Maintaining committed lines of credit.
- (iv) Optimising cash returns on investment.
- (v) Managing the concentration and profile of debt maturities.

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3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Undiscounted contractual cash flows of financial liabilities

The tables below summarise the maturity profile of financial liabilities based on contractual undiscounted payments:

	The Group					
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Total \$'000
	2010					
Long term liabilities	53,192	64,948	570,126	161,187	79,905	929,358
Trade payables	546,402	-	-	-	-	546,402
	599,594	64,948	570,126	161,187	79,905	1,475,760
2009						
Long term liabilities	1,716	14,050	165,578	316,651	319,905	817,900
Trade payables	402,927	-	-	-	-	402,927
	404,643	14,050	165,578	316,651	319,905	1,220,827
	The Company					
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Total \$'000
	2010					
Long term liabilities	51,603	60,183	442,592	42,473	-	596,851
2009						
Long term liabilities	-	8,910	25,799	74,342	240,000	349,051

Assets available to meet all of the liabilities and to cover financial liabilities include cash and investments.

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3. Financial Risk Management (Continued)

(c) Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the group treasury department which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Group manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The Group further manages this risk by maximising foreign currency earnings and holding foreign currency balances.

The following table indicates the effect on profit arising from changes in the US dollar exchange rate. There is no effect on other items of equity. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2009 - 4%) change in foreign currency rates, which represents management's assessment of the possible change in foreign exchange rates. The sensitivity was primarily as a result of foreign exchange gains and losses on translation of US dollar-denominated trade receivables, investment securities classified as available-for-sale and borrowings. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Effect on profit before tax	87,278	97,523	95,555	110,991

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

The tables below summarise the total exposure to foreign currency exchange rate risk:

	The Group			
	Jamaican\$	US\$	Other	Total
	J\$'000	J\$'000	J\$'000	J\$'000
	2010			
Financial Assets				
Available-for-sale investments	818,011	738,866	533,689	2,090,566
Long term receivables	-	1,050,162	-	1,050,162
Trade receivables	904,158	81,361	-	985,519
Cash and bank	116,032	66,166	-	182,198
	1,838,201	1,936,555	533,689	4,308,445
Financial Liabilities				
Long term liabilities	594,488	238,493	-	832,981
Trade payables	405,195	-	-	405,195
	999,683	238,493	-	1,238,176
Net financial position	838,518	1,698,062	533,689	3,070,269
	2009			
Financial Assets				
Available-for-sale investments	847,308	1,056,049	337,510	2,240,867
Long term receivables	-	1,243,311	-	1,243,311
Trade receivables	742,673	62,809	-	805,482
Cash and bank	148,940	126,462	-	275,402
	1,738,921	2,488,631	337,510	4,565,062
Financial Liabilities				
Long term liabilities	410,321	388,069	-	798,390
Trade payables	402,927	-	-	402,927
	813,248	388,069	-	1,201,317
Net financial position	925,673	2,100,562	337,510	3,363,745

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3. Financial Risk Management (Continued)**(c) Market risk (continued)****Currency risk (continued)**

	The Company			
	Jamaican\$ J\$'000	US\$ J\$'000	Other J\$'000	Total J\$'000
	2010			
Financial Assets				
Available-for-sale investments	818,011	738,866	533,689	2,090,566
Long term receivables	-	1,050,162	-	1,050,162
Cash and bank	(50,425)	66,166	-	15,741
	767,586	1,855,194	533,689	3,156,469
Financial Liabilities				
Long term liabilities	514,583	-	-	514,583
Net financial position	253,003	1,855,194	533,689	2,641,886
	2009			
Financial Assets				
Available-for-sale investments	847,308	1,056,049	337,510	2,240,867
Long term receivables	-	1,243,311	-	1,243,311
Trade receivables	-	323	-	323
Cash and bank	(47,222)	126,462	-	79,240
	800,086	2,426,145	337,510	3,563,741
Financial Liabilities				
Long term liabilities	330,416	-	-	330,416
Net financial position	469,670	2,426,145	337,510	3,233,325

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(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial bearing liabilities.

The Group's interest rate risk arises from long term borrowing. The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on floating rate borrowing. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale investments for the effects of the assumed changes in interest rates. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

The following table indicates the sensitivity to a reasonable possible change in interest rates of 8% (2009 – 8%), with all other variables held constant, on the net profit and equity.

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Effect on profit before tax	16,625	23,584	16,625	23,584
Effect on other items of equity	11,712	7,968	11,712	7,968

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk (continued)

The following tables summarise the exposure to interest rate risk. It includes the financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	The Group						Total
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non- Interest Bearing	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
2010							
Financial assets							
Available-for-sale investments	-	22,000	291,813	1,079,142	628,387	69,224	2,090,566
Long term receivables	-	12,801	294,426	742,935	-	-	1,050,162
Trade receivables	985,519	-	-	-	-	-	985,519
Cash and bank	182,198	-	-	-	-	-	182,198
	1,167,717	34,801	586,239	1,822,077	628,387	69,224	4,308,445
Financial liabilities							
Long term liabilities	51,531	61,106	487,208	153,231	-	79,905	832,981
Trade payables	405,195	-	-	-	-	-	405,195
	456,726	61,106	487,208	153,231	-	79,905	1,238,176
Total interest repricing gap	710,991	(26,305)	99,031	1,668,846	628,387	(10,681)	3,070,269
2009							
Financial assets							
Available-for-sale investments	676,076	-	321,705	876,325	309,450	57,311	2,240,867
Long term receivables	-	34,138	380,465	828,708	-	-	1,243,311
Trade receivables	805,482	-	-	-	-	-	805,482
Cash and bank	275,402	-	-	-	-	-	275,402
	1,756,960	34,138	702,170	1,705,033	309,450	57,311	4,565,062
Financial liabilities							
Long term liabilities	1,658	11,430	158,733	306,664	-	319,905	798,390
Trade payables	402,927	-	-	-	-	-	402,927
	404,585	11,430	158,733	306,664	-	319,905	1,201,317
Total interest repricing gap	1,352,375	22,708	543,437	1,398,369	309,450	(262,594)	3,363,745

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3. Financial Risk Management (Continued)**(c) Market risk (continued)***Interest rate risk (continued)*

	The Company						Total \$'000
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non- Interest Bearing	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
	2010						
Financial assets							
Available-for-sale investments	-	22,000	291,813	1,079,142	628,387	69,224	2,090,566
Long term receivables	-	12,801	294,426	742,935	-	-	1,050,162
Cash and bank	15,741	-	-	-	-	-	15,741
	15,741	34,801	586,239	1,822,077	628,387	69,224	3,156,469
Financial liabilities							
Long term liabilities	50,000	56,458	369,375	38,750	-	-	514,583
Total interest repricing gap	(34,259)	(21,657)	216,864	1,783,327	628,387	69,224	2,641,886
	2009						
Financial assets							
Available-for-sale investments	676,076	-	321,705	876,325	309,450	57,311	2,240,867
Long term receivables	-	34,138	380,465	828,708	-	-	1,243,311
Trade receivables	323	-	-	-	-	-	323
Cash and bank	79,240	-	-	-	-	-	79,240
	755,639	34,138	702,170	1,705,033	309,450	57,311	3,563,741
Financial liabilities							
Long term liabilities	-	6,458	19,375	64,583	-	240,000	330,416
Total interest repricing gap	755,639	27,680	682,795	1,640,450	309,450	(182,689)	3,233,325

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3. Financial Risk Management (Continued)

(d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Group defines as net operating income, excluding non-recurring items, divided by total stockholders' equity. The Board of Directors also monitors the level of dividends to stockholders.

(e) Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The following table provides an analysis of financial instruments held as at the statement of financial position date that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2010				
Available-for-sale investments –				
Quoted equities	69,224	-	-	69,224
Corporate bonds	-	-	100,056	100,056
Issued by the Government of Jamaica	-	1,921,286	-	1,921,286
	69,224	1,921,286	100,056	2,090,566
2009				
Available-for-sale investments –				
Quoted equities	57,311	-	-	57,311
Corporate bonds	-	-	104,411	104,411
Amounts held in US\$ mutual funds	-	112,237	-	112,237
Issued by the Government of Jamaica	-	1,966,908	-	1,966,908
	57,311	2,079,145	104,411	2,240,867

There were no transfers between levels during the year.

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3. Financial Risk Management (Continued)

(e) Fair values of financial instruments (continued)

The movement in instruments classified as level 3 was as follows:

	2010	2009
	\$'000	\$'000
At start of year	104,411	150,000
Disposals	-	(45,000)
Foreign exchange losses recognised in profit or loss	(4,355)	(589)
At end of year	<u>100,056</u>	<u>104,411</u>

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are grouped in Level 1.

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The following methods and assumptions have been used in determining fair values for instruments not remeasured at their fair value after initial recognition:

- (i) The face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities include cash and bank balances and trade receivables and payables.
- (ii) The fair value of long term receivables has been estimated at \$1,059,173,000 (2009 – \$1,330,823,000). This was derived by discounting the contractual cash flows using the market rate of interest. The carrying value of these receivables is \$1,050,162,000 (2009 – \$1,243,311,000).
- (iii) The carrying values of long term loans approximate their fair values, as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.
- (iv) The fair values of the loans from related parties could not be reliably determined as these instruments were granted under special terms and are not likely to be traded in a fair market exchange.

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4. Critical Accounting Estimates and Judgments In Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Retirement benefit obligations

The cost of these benefits and the present value of the future obligations depend on a number of factors that are determined by actuaries using a number of assumptions. The assumptions used in determining the net periodic cost or income for retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of health benefits, the expected rate of increase in health costs. Any changes in these assumptions will impact the net periodic cost or income recorded for retirement benefits and may affect planned funding of the pension plan. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligations. In determining the appropriate discount rate, the Group considered interest rate of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have terms to maturity approximating the terms of the related obligations. The expected rate of increase of health costs has been determined by comparing the historical relationship of the actual health cost increases with the rate of inflation. Other key assumptions for the retirement benefits are based on current market conditions.

Income taxes

Significant judgement is required in determining the provision for income taxes. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made.

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5. Business Segments

The Group is organised into two main business segments:

- a) Manufacturing - This incorporates the operations for manufacturing and sale of oils and fats, corn products, cereals, milk products, juices, sugar and biscuits.
- b) Distribution - The merchandising of consumer goods.

	2010			Group
	Manufacturing	Distribution	Eliminations	
	\$'000	\$'000	\$'000	\$'000
External revenue	6,061,289	3,715,274	-	9,776,563
Inter-segment revenue	2,999,652	-	(2,999,652)	-
Total revenue	9,060,941	3,715,274	(2,999,652)	9,776,563
Segment result	773,966	176,615	-	950,581
Unallocated corporate income				256,285
Operating profit				1,206,866
Segment assets	5,515,354	744,129	-	6,259,483
Unallocated corporate assets				3,363,872
Total consolidated assets				9,623,355
Segment liabilities	1,144,225	67,386	-	1,211,611
Unallocated corporate liabilities				820,187
Total consolidated liabilities				2,031,798
Other segment items –				
Capital expenditure	638,841	4,266	(84,845)	558,262
Unallocated capital expenditure				45,583
Total capital expenditure				603,845
Depreciation	234,948	1,733	-	236,681
Unallocated depreciation				19,591
Total depreciation				256,272

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5. Business Segments (Continued)

	2009			Group
	Manufacturing	Distribution	Eliminations	
	\$'000	\$'000	\$'000	\$'000
External revenue	5,469,182	4,025,878	-	9,495,060
Inter-segment revenue	2,859,030	-	(2,859,030)	-
Total revenue	8,328,212	4,025,878	(2,859,030)	9,495,060
Segment result	1,302,952	199,654	-	1,502,606
Unallocated corporate income				708,176
Operating profit				2,210,782
Segment assets	4,613,828	738,489	-	5,352,317
Unallocated corporate assets				3,883,913
Total consolidated assets				9,236,230
Segment liabilities	1,432,480	65,331	-	1,497,811
Unallocated corporate liabilities				752,067
Total consolidated liabilities				2,249,878
Other segment items –				
Capital expenditure	503,185	7,266	-	510,451
Unallocated capital expenditure				92,133
Total capital expenditure				602,584
Depreciation	185,373	1,906	-	187,279
Unallocated depreciation				21,565
Total depreciation				208,844

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6. Finance and Other Operating Income

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Interest income from subsidiaries	-	-	30,121	-
Other interest income	362,482	432,391	357,108	430,974
Dividend income from subsidiaries	-	-	1,241,359	855,697
Other dividend income	4,281	2,379	4,281	2,379
Net foreign exchange (losses)/gains	(131,211)	255,461	(145,597)	283,624
Gain/(loss) on sale of available-for-sale investments	12,113	(4,129)	12,113	(4,129)
Gain on disposal of property, plant and equipment	625	62	625	62
Other	95,119	70,075	21,238	22,141
	343,409	756,239	1,521,248	1,590,748

7. Expenses by Nature

Total direct, selling, administration and other operating expenses:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Advertising and promotion	56,474	51,944	2,159	13,508
Amortisation of intangible assets	7,341	7,340	-	-
Auditors' remuneration	15,693	14,136	4,176	4,091
Bad debt expense, net of recoveries	9,003	15,096	-	10,671
Cost of inventories recognised as an expense	5,569,814	5,278,266	-	329,486
Depreciation	256,272	208,844	19,591	21,565
Insurance	172,802	151,087	14,674	20,245
Professional services	50,616	52,090	28,693	36,850
Repairs and maintenance	334,746	261,089	18,785	15,471
Security	81,217	84,503	12,526	11,624
Staff costs (Note 8)	1,166,580	955,991	263,986	281,049
Utilities	548,317	378,712	14,406	13,808
Other	644,231	581,419	37,208	31,262
	8,913,106	8,040,517	416,204	789,630

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8. Staff Costs

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	912,074	746,985	185,742	211,919
Statutory contributions	77,524	57,775	17,834	18,445
Pension (Note 18)	(5,600)	(2,700)	(5,600)	(2,700)
Other retirement benefits (Note 18)	22,300	11,800	22,300	11,800
Redundancy	1,268	-	1,268	-
Other	159,014	142,131	42,442	41,585
	1,166,580	955,991	263,986	281,049

9. Finance Costs

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Interest expense –				
Long term loans	31,059	21,579	14,458	16,255
Other	4,880	3,302	1,960	874
	35,939	24,881	16,418	17,129

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10. Taxation Expense

Taxation is based on the profit for the year adjusted for tax purposes and comprises income tax at 33½%:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Current taxation	487,297	633,089	92,214	178,008
Adjustment to prior year provision	(22,302)	7,672	(69,017)	-
	464,995	640,761	23,197	178,008
Deferred taxation (Note 27)	(74,331)	59,203	(44,098)	20,376
	340,664	699,964	(20,901)	198,384

The tax on the Group's and the company's profit differs from the theoretical amount that would arise using the applicable tax rate of 33½%, as follows:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Profit before taxation	1,170,927	2,185,901	1,481,226	1,546,744
Tax calculated at a tax rate of 33½%	390,309	728,634	493,742	515,581
Adjusted for the effect of:				
Investment income not subject to tax	(36,246)	(28,391)	(450,032)	(313,624)
Adjustment to prior year provision	(22,302)	7,672	(69,017)	-
Other allowances	8,903	(7,951)	4,406	(3,573)
	340,664	699,964	(20,901)	198,384

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11. Net Profit Attributable to Stockholders of the Company

Dealt with as follows in the financial statements:

	2010	2009
	\$'000	\$'000
The company	1,502,127	1,348,360
Dividend income from subsidiaries	(1,241,359)	(855,697)
	<u>260,768</u>	<u>492,663</u>
Subsidiaries	746,594	985,743
	<u>1,007,362</u>	<u>1,478,406</u>

12. Earnings per Stock Unit Attributable to Stockholders of the Company

Earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units in issue.

	2010	2009
Net profit attributable to stockholders (\$'000)	1,007,362	1,478,406
Weighted average number of ordinary stock units ('000)	516,398	516,398
Basic earnings per stock unit (\$)	<u>1.95</u>	<u>2.86</u>

The company has no dilutive potential ordinary shares.

13. Dividends

	2010	2009
	\$'000	\$'000
Interim dividends – 75 cents (2009 – 65 cents) per stock unit	<u>387,299</u>	<u>335,658</u>

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14. Property, Plant and Equipment

	The Group					
	Freehold Land & Site Improvements	Buildings	Plant, Equipment & Furniture	Motor Vehicles	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2010					
Cost -						
At 1 January 2010	311,189	1,036,044	2,575,317	165,018	189,699	4,277,267
Additions	119,700	793	108,442	46,022	328,888	603,845
Disposals	-	-	(766)	(7,224)	-	(7,990)
Transfers	-	69,442	157,532	27,674	(254,648)	-
At 31 December 2010	430,889	1,106,279	2,840,525	231,490	263,939	4,873,122
Accumulated Depreciation -						
At 1 January 2010	-	490,285	1,183,326	22,847	-	1,696,458
Charge for the year	-	23,848	184,845	47,579	-	256,272
On disposals	-	-	(536)	(6,790)	-	(7,326)
At 31 December 2010	-	514,133	1,367,635	63,636	-	1,945,404
Net Book Value -						
At 31 December 2010	430,889	592,146	1,472,890	167,854	263,393	2,927,718
	2009					
Cost -						
At 1 January 2009	295,071	925,860	2,217,775	37,212	158,667	3,634,585
On business combination	13,000	48,355	-	-	-	61,355
Additions	-	-	149,408	106,153	346,896	602,584
Disposals	-	-	(13,537)	(7,720)	-	(21,257)
Transfers	3,118	61,702	221,671	29,373	(315,864)	-
At 31 December 2009	311,189	1,036,044	2,575,317	165,018	189,699	4,277,267
Accumulated Depreciation -						
At 1 January 2009	-	469,932	1,016,644	19,238	-	1,505,814
Charge for the year	-	20,353	177,595	10,896	-	208,844
On disposals	-	-	(10,913)	(7,287)	-	(18,200)
At 31 December 2009	-	490,285	1,183,326	22,847	-	1,696,458
Net Book Value -						
At 31 December 2009	311,189	545,759	1,391,991	142,171	189,699	2,580,809

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14. Property, Plant and Equipment (Continued)

	The Company					
	Freehold Land & Site Improvements	Buildings	Plant, Equipment & Furniture	Motor Vehicles	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2010					
Cost -						
At 1 January 2010	23,336	332,557	169,882	19,624	61,605	607,004
Additions	-	-	1,513	-	44,070	45,583
Disposals	-	-	-	(7,224)	-	(7,224)
Transfers	-	-	212	18,020	(18,232)	-
Transfers to subsidiaries	-	189	(192)	-	(84,842)	(84,845)
At 31 December 2010	23,336	332,746	171,415	30,420	2,601	560,518
Accumulated Depreciation -						
At 1 January 2010	-	229,169	150,270	17,511	-	396,950
Charge for the year	-	5,604	9,720	4,267	-	19,591
Relieved on disposals	-	-	-	(6,790)	-	(6,790)
At 31 December 2010	-	234,773	159,990	14,988	-	409,751
Net Book Value -						
At 31 December 2010	23,336	97,973	11,425	15,432	2,601	150,767
	2009					
Cost -						
At 1 January 2009	20,218	295,575	157,630	16,169	25,861	515,453
Additions	-	-	1,221	1,302	89,610	92,133
Disposals	-	-	-	(582)	-	(582)
Transfers	3,118	36,982	11,031	2,735	(53,866)	-
At 31 December 2009	23,336	332,557	169,882	19,624	61,605	607,004
Accumulated Depreciation -						
At 1 January 2009	-	223,809	137,173	14,985	-	375,967
Charge for the year	-	5,360	13,097	3,108	-	21,565
Relieved on disposals	-	-	-	(582)	-	(582)
At 31 December 2009	-	229,169	150,270	17,511	-	396,950
Net Book Value -						
At 31 December 2009	23,336	103,388	19,612	2,113	61,605	210,054

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15. Intangible Assets

Intangible assets comprise brands acquired by the Group, and are amortised over their estimated useful lives of 10 years. The carrying value of intangible assets was determined as follows:

	The Group	
	2010	2009
	\$'000	\$'000
Fair value of brands acquired	73,407	73,407
Less: Accumulated amortisation	(36,069)	(28,728)
	<u>37,338</u>	<u>44,679</u>

16. Available-for-sale Investments

	The Group & The Company	
	2010	2009
	\$'000	\$'000
Quoted equities	69,224	57,311
Corporate bonds	100,056	104,411
Amounts held in US\$ mutual funds	-	112,237
Government of Jamaica securities	1,921,286	1,966,908
	<u>2,090,566</u>	<u>2,240,867</u>
Less: Securities maturing within 12 months	(477,005)	(997,781)
	<u>1,613,561</u>	<u>1,243,086</u>

Government of Jamaica securities and corporate bonds include interest receivable of \$47,767,000 (2009 – \$47,418,000). The weighted average effective interest rate on these securities was 9% (2009 – 13%).

The weighted average yield on amounts held in US\$ mutual funds was Nil (2009 – 7%).

The movement in available-for-sale investments during the year was as follows:

	The Group & The Company	
	2010	2009
	\$'000	\$'000
Balance at start of year	2,240,867	1,088,439
Additions	571,571	1,301,057
Disposals	(792,630)	(258,725)
Net fair value gains/(losses)	162,241	(39,317)
Effect of changes in foreign exchange rates	(91,483)	149,413
Balance at end of year	<u>2,090,566</u>	<u>2,240,867</u>

Seprod Limited

Notes to the Financial Statements

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17. Long Term Receivables

	The Group & The Company	
	2010	2009
	\$'000	\$'000
(a) Musson (Jamaica) Limited	794,141	882,141
(b) Wight Properties Limited	-	361,170
(c) Orett and Musson Investment Company Limited	256,021	-
	1,050,162	1,243,311
Less: Current portion	(307,226)	(414,603)
	<u>742,936</u>	<u>828,708</u>

- (a) On 2 October, the company sold its 50% shareholding in Gatcombe Investments Limited to Musson Jamaica Limited for a purchase consideration of US\$20,319,000, US\$15,239,250 of which was financed by a long term receivable. US\$7,112,000 is scheduled to be received in equal monthly installments for 3 years from the inception date at a weighted average interest rate of 10.67%, with the balance receivable in full at the end of the third year.

At 31 December 2009, the receivable balance of US\$9,906,000 at that date was restructured and will be repaid in equal monthly installments for 3 years from that date at an interest rate of 12%, with the balance receivable in full at the end of the third year.

- (b) On 21 December 2007, in a combined transaction, the company sold its 50% shareholdings in CBM Limited and Productive Business Solutions Limited to Wight Properties Limited, a subsidiary of Facey Commodity Company Limited, for a purchase consideration of US\$8,000,000, US\$6,000,000 of which was financed by a long term receivable. US\$2,800,000 is scheduled to be received in equal monthly installments for 3 years from the inception date at a weighted average interest rate of 10.67%, with the balance receivable in full at the end of the third year.

During the year, amounts due to Facey Commodity Company Limited (Note 26) were set off against this balance, and the remainder paid by Wight Properties Limited.

- (c) During the year, the company entered into an agreement to lend Orett and Musson Investment Company Limited, a subsidiary of Musson (Jamaica) Limited, US\$3,000,000 to be used exclusively for business purposes. The amount is repayable on or before 31 December 2011. Interest is charged monthly at a rate of 9% on the outstanding balance. The loan is secured by a demand promissory note.

18. Retirement Benefits

Following the JDX transaction in February 2010 (Note 3), there has been a significant reduction in interest rates and a downward shift in the Jamaica sovereign debt yield curve. This shift resulted in a significant reduction in the discount rate used to measure the Group's obligations under its defined benefit pension and other retirement benefit plans.

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18. Retirement Benefits (Continued)

	The Group & The Company	
	2010 \$'000	2009 \$'000
Assets/(liabilities) recognised in the statement of financial position –		
Pension scheme	29,700	21,300
Medical benefits	(81,800)	(66,200)
Amounts recognised in profit or loss –		
Pension scheme	5,600	2,700
Medical benefits	(22,300)	(11,800)

Pension scheme

The Group participates in a defined benefit scheme, which is open to all permanent employees and administered by NCB Insurance Company Limited. The plan provides benefits to members based on average earnings for the final year of service (formerly 2 years), with the Group and employees each contributing 5% of pensionable salaries. The plan is valued by independent actuaries annually using the projected unit credit method; the latest such valuation being as at 31 August 2010. Additionally, the plan is valued by independent actuaries triennially to determine the adequacy of funding; the latest such valuation being as at 31 August 2007 revealed that the scheme was adequately funded.

The defined benefit asset recognised in the statement of financial position was determined as follows:

	The Group & The Company	
	2010 \$'000	2009 \$'000
Fair value of plan assets	707,000	643,200
Present value of obligations	(656,800)	(535,400)
	(50,200)	107,800
Unrecognised actuarial gains	(21,300)	(87,800)
Unrecognised past service cost	800	1,300
	29,700	21,300

The distribution of plan assets was as follows:

	2010		2009	
	\$'000	%	\$'000	%
Quoted equities	148,349	21	117,284	18
Real estate	194,380	27	195,338	30
Government of Jamaica securities	256,207	36	237,504	37
Repurchase agreements	28,410	4	15,128	3
Leases	46,159	7	44,604	7
Other	33,495	5	33,342	5
	707,000	100	643,200	100

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18. Retirement Benefits (Continued)

Pension scheme (continued)

Plan assets include the company's ordinary stock units with a fair value of \$33,834,000 (2009 – \$25,277,000).

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the statement of financial position date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

The movement in the fair value of plan assets during the year was as follows:

	The Group & The Company	
	2010	2009
	\$'000	\$'000
At beginning of year	643,200	645,000
Expected return on plan assets	112,700	74,900
Employer contributions	2,800	2,700
Employee contributions	4,800	4,200
Benefits paid	(41,900)	(47,900)
Actuarial losses on plan assets	(14,600)	(35,700)
At end of year	<u>707,000</u>	<u>643,200</u>

The movement in the present value of obligations during the year was as follows:

	The Group & The Company	
	2010	2009
	\$'000	\$'000
At beginning of year	(535,400)	(526,000)
Current service cost	(18,400)	(17,300)
Interest cost	(100,100)	(66,900)
Employee contributions	4,800	4,200
Benefits paid	41,900	47,900
Actuarial (losses)/gains on obligations	(49,600)	22,700
At end of year	<u>(656,800)</u>	<u>(535,400)</u>

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18. Retirement Benefits (Continued)

Pension scheme (continued)

The amounts recognised in profit or loss were as follows:

	The Group & The Company	
	2010	2009
	\$'000	\$'000
Current service cost, net of employee contributions	(8,800)	(8,900)
Interest cost	(100,100)	(66,900)
Past service cost -		
Non-vested benefits	(500)	(500)
Vested benefits	-	-
Expected return on plan assets	112,700	74,900
Net actuarial gains recognised during the year	2,300	4,100
Total included in staff costs (Note 8)	<u>5,600</u>	<u>2,700</u>

The actual return on plan assets was \$98,100,000 (2009 – \$39,200,000).

Expected employer contributions to the plan for the year ended 31 December 2011 amount to \$6,637,000.

The five-year trend for the fair value of plan assets, the defined benefit obligation, the surplus in the plan, and experience adjustments for plan assets and liabilities are as follows:

	2010	2009	2008	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000
Fair value of plan assets	707,000	643,200	645,000	591,500	525,400
Defined benefit obligation	(656,800)	(535,400)	(526,000)	(443,300)	(438,500)
Surplus	<u>50,200</u>	<u>107,800</u>	<u>119,000</u>	<u>148,200</u>	<u>86,900</u>
Experience adjustments –					
Fair value of plan assets	14,600	35,700	(16,400)	(40,900)	9,300
Defined benefit obligation	6,000	(24,900)	5,500	(6,800)	22,600

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18. Retirement Benefits (Continued)

Medical benefits

In addition to pension benefits, the Group offers retirees medical benefits. Funds are not built up to cover the obligations under the medical benefit scheme. The method of accounting and frequency of valuations are similar to those used for the pension scheme. The liability recognised in the statement of financial position was determined as follows:

	The Group & The Company	
	2010	2009
	\$'000	\$'000
Present value of obligations	(126,500)	(103,300)
Unrecognised actuarial losses	44,700	37,100
	<u>(81,800)</u>	<u>(66,200)</u>

The movement in the present value of obligations during the year was as follows:

	The Group & The Company	
	2010	2009
	\$'000	\$'000
At beginning of year	(103,300)	(78,500)
Current service cost	(500)	(700)
Interest cost	(19,100)	(10,000)
Benefits paid	6,700	5,000
Actuarial losses	(10,300)	(19,100)
At end of year	<u>(126,500)</u>	<u>(103,300)</u>

The amounts recognised in profit and loss were as follows:

	The Group & The Company	
	2010	2009
	\$'000	\$'000
Current service cost	(500)	(700)
Interest cost	(19,100)	(10,000)
Net actuarial losses recognised during the year	(2,700)	(1,100)
Total included in staff costs (Note 8)	<u>(22,300)</u>	<u>(11,800)</u>

A 1% increase/(decrease) in the assumed medical cost trend rate would result in an increase/(decrease) in the aggregate current service cost and interest cost of \$2,200,000/(\$2,000,000), and an increase/(decrease) in the defined benefit obligation of \$14,400,000/(\$12,000,000).

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18. Retirement Benefits (Continued)

The five-year trend for the defined benefit obligation and experience adjustments are as follows:

	2010	2009	2008	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000
Defined benefit obligation	(126,500)	(103,300)	(78,500)	(67,300)	(64,400)
Experience adjustments	11,700	18,000	3,200	2,400	(12,200)

Principal actuarial assumptions used in valuing retirement benefits

The principal actuarial assumptions used in valuing retirement benefits were as follows:

	2010	2009
Discount rate	11.5%	19%
Expected return on plan assets	11%	18%
Future salary increases	8%	14%
Future pension increases	5.5%	12%
Long term increase in health costs	10.5%	18%
Average expected remaining service life of the employees (years)	10	10

At normal retirement age, 92.8% of males and 74.2% of females are married.

The age difference between husband and wife is 3 years.

Post-retirement mortality for active members and mortality for pensioners and deferred pensioners is based on the PA (90) Tables for Pensioners (British mortality tables) with ages rated down by 6 years.

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19. Biological Assets

Non-current – livestock

	<u>The Group</u>	
	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
Dairy Livestock –		
2,121 (2009 – 2,130) Cows able to produce milk	113,391	80,395
2,416 (2009 – 2,237) Heifers being raised to produce milk in the future	83,257	67,470
Other Livestock –		
364 (2009 – 56) Bulls raised for sale and reproduction	7,081	2,068
734 (2009 – Nil) Sheep raised for sale and reproduction	6,370	-
11 (2009 – Nil) Horses raised	413	-
100 (2009 – Nil) Bee colonies	1,200	-
	<u>211,712</u>	<u>149,933</u>

5,119,263 (2009 – 5,701,111) litres of milk with a "fair value less estimated point-of-sale costs" of \$271,845,000 (2009 – \$284,871,000) were produced during the period.

The movement in livestock during the year was as follows:

	<u>The Group</u>	
	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
Balance at start of year	149,933	129,565
Purchases	12,630	1,730
Sales	(32,549)	(26,915)
Changes in fair value less estimated point-of-sale costs	81,698	45,553
Balance at end of year	<u>211,712</u>	<u>149,933</u>

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19. Biological Assets (Continued)

Current – sugar cane

	<u>The Group</u>	
	2010	2009
	\$'000	\$'000
80,735 (2009 – 77,488) tonnes at \$2,009.88 (2009 – \$2,752.30) per tonne	162,268	213,270

The movement in sugar cane during the year was as follows:

	<u>The Group</u>	
	2010	2009
	\$'000	\$'000
Balance at start of year	213,270	-
Net cost of cane cultivation and value of cane harvested	(64,646)	113,443
Changes in fair value less estimated point-of-sale costs	13,644	99,827
Balance at end of year	162,268	213,270

20. Inventories

	<u>The Group</u>	
	2010	2009
	\$'000	\$'000
Raw and packaging materials	1,186,462	704,982
Work in progress	38,260	19,914
Finished goods	323,709	702,516
	<u>1,548,431</u>	<u>1,427,412</u>

21. Receivables

	<u>The Group</u>		<u>The Company</u>	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Trade receivables	1,074,710	892,969	3,569	11,455
Less: Provision for impairment	(89,191)	(87,487)	(3,569)	(11,132)
	<u>985,519</u>	<u>805,482</u>	-	323
Other advances and prepayments	157,522	73,206	10,780	12,672
Other	216,980	143,199	101,093	76,196
	<u>1,360,021</u>	<u>1,021,887</u>	<u>111,873</u>	<u>89,191</u>

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22. Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	182,198	275,402	15,741	79,240

23. Payables

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Trade payables	405,195	402,927	-	-
Accruals	180,121	243,103	59,108	59,410
Other	96,327	35,538	74,580	94,399
	<u>681,643</u>	<u>681,568</u>	<u>133,688</u>	<u>153,809</u>

24. Share Capital

	2010	2009
	\$'000	\$'000
Authorised -		
530,000,000 Ordinary shares		
Issued and fully paid -		
516,398,000 Ordinary stock units at no par value		
	<u>561,287</u>	<u>561,287</u>

25. Capital Reserve

This comprises:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Revaluation surplus on assets carried at deemed cost	346,551	346,551	105,340	105,340
Fair value losses on available-for-sale investments	85,305	(76,936)	85,305	(76,936)
Profits of subsidiaries capitalised	336,537	336,537	-	-
Redemption reserve	1,800	1,800	-	-
Realised gains/(losses) on sale of investments	102,506	90,393	102,506	90,393
Other realised surplus	22,230	22,230	20,289	20,289
	<u>894,929</u>	<u>720,575</u>	<u>313,440</u>	<u>139,086</u>

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26. Borrowings

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Long term loans	753,076	478,485	514,583	90,416
Less: Current portion	(599,845)	(165,135)	(475,833)	(25,833)
	<u>153,231</u>	<u>313,350</u>	<u>38,750</u>	<u>64,583</u>
Loans from related parties --				
Fred M Jones Estate	79,905	79,905	-	-
Facey Commodity Company Limited	-	240,000	-	240,000
	<u>79,905</u>	<u>319,905</u>	<u>-</u>	<u>240,000</u>
	<u>233,136</u>	<u>633,255</u>	<u>38,750</u>	<u>304,583</u>

Long term loans

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
(i) First Global Bank Limited – 11%	64,583	90,416	64,583	90,416
(ii) Tetra Pak – LIBOR + 2%	9,531	29,837	-	-
(iii) Inter-American Investment Corp – LIBOR + 4.25%	228,962	358,232	-	-
(iv) National Commercial Bank Jamaica Limited – 10%	450,000	-	450,000	-
	<u>753,076</u>	<u>478,485</u>	<u>514,583</u>	<u>90,416</u>

- (i) This loan is repayable by equal quarterly instalments ending in 2013. There was a moratorium on the principal payments until September 2007. The loan is secured by Government of Jamaica investment securities.
- (ii) This represents a US\$ financing agreement from a supplier and is repayable in twelve quarterly instalments commencing 1 February 2009. It is secured by property, plant and equipment acquired under the loan agreement.
- (iii) This loan is denominated in United States dollars and is repayable in 6 semi-annual instalments commencing 15 May 2010. The loan is secured by a promissory note.
- (iv) The loan is repayable upon maturity in May 2011. The loan is secured by hypothecation of Government of Jamaica Bonds with an estimated market value of \$740,000,000.

Loans from related parties

These loans are interest free and have no fixed terms of repayment.

During the year, the loan to Facey Commodity Company Limited was set off against an amount receivable from Wight Properties Limited (Note 17(b)).

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27. Deferred Taxation

Deferred income taxes are calculated in full on temporary differences under the liability method using a tax rate of 33½%.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The amounts determined after appropriate offsetting are as follows:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	-	370	-	-
Deferred tax liabilities	(319,561)	(394,262)	(59,552)	(103,650)
	<u>(319,561)</u>	<u>(393,892)</u>	<u>(59,552)</u>	<u>(103,650)</u>

The movement in deferred taxation is as follows:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Balance at start of year	(393,892)	(334,689)	(103,650)	(83,274)
Credit/(charge) to profit or loss (Note 10)	74,331	(59,203)	44,098	(20,376)
Balance at end of year	<u>(319,561)</u>	<u>(393,892)</u>	<u>(59,552)</u>	<u>(103,650)</u>

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27. Deferred Taxation (Continued)

The deferred tax credited/(charged) to profit or loss comprises the following temporary differences:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Accelerated tax depreciation	9,299	(19,533)	(3,103)	8,676
Retirement benefits	2,400	467	2,400	467
Tax losses carried forward	(15,282)	(1,866)	-	-
Unrealised exchange gains	44,918	(16,682)	44,918	(16,682)
Other	32,996	(21,589)	(117)	(12,837)
	<u>74,331</u>	<u>(59,203)</u>	<u>44,098</u>	<u>(20,376)</u>

The deferred tax assets/(liabilities) in the statement of financial position comprises the following temporary differences:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Accelerated tax depreciation	(283,103)	(292,402)	(18,299)	(15,196)
Retirement benefits	17,367	14,967	17,367	14,967
Tax losses carried forward	-	15,282	-	-
Unrealised exchange gains	(42,696)	(87,614)	(42,696)	(87,614)
Other	(11,129)	(44,125)	(15,924)	(15,807)
	<u>(319,561)</u>	<u>(393,892)</u>	<u>(59,552)</u>	<u>(103,650)</u>

The deferred tax assets/(liabilities) in the statement of financial position include:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Deferred tax assets to be recovered within 12 months	-	15,282	-	-
Deferred tax liabilities to be settled within 12 months	<u>(11,129)</u>	<u>(44,125)</u>	<u>(15,924)</u>	<u>(15,807)</u>

Subject to agreement with the Taxpayer Audit and Assessment Department, losses available for offset against future profits of certain subsidiaries amount to \$142,982,000 (2009 – \$126,887,000).

Deferred tax assets of approximately \$47,661,000 (2009 – \$27,014,000) have not been recognised in respect of tax losses of certain subsidiaries. At 31 December 2010, tax losses carried forward for which no deferred tax assets have been recognised amounted to approximately \$142,982,000 (2009 – \$81,042,000).

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28. Cash Generated from Operations

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Net profit	830,263	1,485,937	1,502,127	1,348,360
Items not affecting cash resources:				
Amortisation of intangible assets	7,341	7,340	-	-
Depreciation	256,272	208,844	19,591	21,565
Unrealised foreign exchange losses/(gains)	199,002	(245,291)	212,419	(250,291)
(Gain)/loss on sale of available-for-sale investments	(12,113)	4,129	(12,113)	4,129
Gain on sale of property, plant and equipment	(625)	(62)	(625)	(62)
Interest income	(362,482)	(432,391)	(387,229)	(430,974)
Interest expense	35,939	24,881	16,418	17,129
Dividend income	(4,281)	(2,379)	(1,245,640)	(858,076)
Taxation	340,664	699,964	(20,901)	198,384
	1,289,980	1,750,972	84,047	50,164
Changes in operating assets and liabilities:				
Inventories	(121,019)	(93,953)	-	-
Receivables	(338,134)	(39,888)	(22,682)	104,695
Biological assets	(10,777)	(233,638)	-	-
Due to subsidiaries	-	-	(511,254)	957,776
Retirement benefits	7,200	1,400	7,200	1,400
Accounts payable	75	165,642	(20,121)	(2,735)
	827,325	1,550,535	(462,810)	51,445
Taxation paid	(614,891)	(581,275)	(88,234)	(113,507)
Cash provided by/(used in) operating activities	212,434	969,260	(551,044)	793,635

Significant non-cash transactions during the year were:

- Set off of long term loans and long term receivables with related parties (Notes 17 and 26); and
- Interest and dividend income earned by the company from subsidiaries, which were settled through intercompany accounts (Note 6).

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29. Business Combinations

Golden Grove Sugar Company Limited was incorporated on 29 June 2009. Effective 1 July 2009, Golden Grove Sugar Company Limited acquired certain property, plant and equipment of St Thomas Sugar Company Limited.

The goodwill on acquisition was arrived at as follows:

	\$'000
Fair value of assets acquired –	
Property, plant and equipment	61,355
Purchase consideration –	
Cash paid (including direct costs of \$16,701,000)	(61,355)
	<u> </u>
	<u> </u>

The property, plant and equipment have been recognised at their acquisition cost as the assets were offered for public sale and were subject to a fair market exchange.

No cash or cash equivalents were acquired in the transaction. The cash outflow on acquisition comprises only cash paid that formed a part of the purchase consideration.

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30. Related Party Transactions

The following transactions were carried out with or on behalf of related parties:

(a) Sales and purchases of goods and services

Sales of \$2,725,620,000 (2009 – \$2,752,464,000) to and purchases of \$11,034,000 (2009 – \$13,642,000) from Musson Jamaica Limited, T.Geddes Grant (Distributors) Limited and Facey Commodity Company Limited. The Chairman of the company's Board of Directors is a major shareholder and Chairman of the Board of Directors of these entities. Goods are sold/bought on the basis of the price lists in force with non-related parties. Trade receivables and payables include \$340,518,000 and \$2,825,000 (2009 - \$273,630,000 and \$1,882,000), respectively in respect of these transactions.

A subsidiary paid cess of \$5,083,000 (2009 - \$5,500,000) based on the importation of copra-based and substitute products, to Coconut Industry Board, a major shareholder of the company.

(b) Key management compensation

	2010 \$'000	2009 \$'000
Wages and salaries	101,901	264,589
Statutory contributions	9,617	21,351
Other	600	1,876
	<u>112,118</u>	<u>287,816</u>
Directors' emoluments –		
Fees	9,269	9,370
Medical insurance premiums	12,143	11,338
Management remuneration (included above)	<u>44,574</u>	<u>78,784</u>

(c) Advances and loans

At 31 December, profit share advances to key management amounted to \$27,057,000 (2009 – \$2,574,000).

Loans to other related parties are disclosed in Note 17. Interest earned on these loans during the year amounted to US\$1,358,000 (2009 – US\$1,630,000).

Loans from other related parties are disclosed in Note 26. No interest was paid on these loans.

Seprod Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

31. Contingencies and Commitments

- (a) Minimum annual lease payments required under operating lease arrangements in relation to factory rental by a subsidiary amount to US\$130,000, and these arrangements are set to expire in 2011. The subsidiary no longer uses the factory and earns annual rental of US\$82,000 under a sub-lease arrangement, which is set to expire in 2011.
- (b) A subsidiary has leased sugar cane lands from the Government of Jamaica for a period of 50 years with an option to renew for a further period of 25 years. The lease is fixed at a rate of US\$53 per hectare per annum for the first 5 years, after which it will be renegotiated in accordance with the provisions of the lease contract. Based on the current rate of US\$53 per hectare per annum, the annual lease cost to the subsidiary is US\$82,000.
- (c) At 31 December 2010, management had approved approximately \$401 million (2009 – \$463 million) for capital expenditure in respect of certain subsidiaries.

32. Litigation, Claims and Assessments

The Group is subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated. In respect of claims asserted against the Group which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both the financial position and results of operations.